

## Volatility, Inflation, Invasions- Oh My!

Dear Constant Investor,

As tragedy is developing in Ukraine, it is tough to watch the nightly news. The whole Clark Associates team's thoughts and prayers are with the Ukrainians and for those that will accept them into their own country. Europeans have not experienced this much personal displacement and disruption since WWII.

I want to address a few things with you: Volatility, Inflation, and the Unknown. Studies show that people are more psychologically affected by downs, than boosted by positives. For instance, a person is more moved by a \$1,000 loss than a \$1,000 gain. It's called loss aversion. Our fear of the future can muddle current decisions and lead rational people to the irrational.

**Market Volatility** can be concerning. It can be tough to see a statement where you see a value that is 20% less. The bright side is...you still own the same number of shares. It is simply a snapshot of what someone will give you that moment for your current shares. The "Loss" only occurs if you sell.

Adding money to the market when it's sagging and not soaring is one of the greatest pieces of advice, I can give you. It is probably not important whether you think the market is high or low in the long run. Every market drop in the past was temporary over time! But, if these times of fluctuation are swaying your long-term plans, please give us a call to walk through how we can help. Want to add money, open a ROTH IRA, or get more aggressive? Sleepless nights or the fear of missing out can cause unnecessary strife in a person's life. We can help.

**Inflation** is insidious. Unlike a market drop, a loss of buying power due to inflation is normally permanent. The Nobel Prize winning Economist, Milton Friedman, famously said:

***"Inflation is always and everywhere a monetary phenomenon, in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output."***



This is not to say that individual sectors can't experience a sudden rise in price. If oil prices climb, it is a trigger for others to produce more, capitalize on the rising prices, and ultimately driving down cost with more supply. We will change how we drive a bit to save on fuel. Others will start to create more products that are arguably less dependent on oil, like electric vehicles. This is the beauty of Adam Smith's Invisible Hand, necessary for market-based economies. No one can figure it out, but we should be

grateful there is no central power trying to do so. It never works.

I'd love to tell you I know the **future**. I do not...and neither does anyone else. We are moving through COVID times and are starting to bump up against other sets of hurdles. We will get through this and so will the people of Europe. We have no option! This is why being an optimist is the highest form of bravery. Be brave, we are in this together.

#### 4 Tips:

1. **Allocation.** Review your current allocation. Is it right for your feelings right now? In 10 years?
2. **Cash.** Have cash available in case we do see some annoying disruptions like a cyber-attack. Be able to pay for a few trips to the gas station and grocery store.
3. **Social Media and News.** Curbing how much media we consume is vital to a better state of mind.
4. **Actions.** Knowing when to do nothing, when nothing is appropriate, is a sign of true wisdom and direction.